WASHINGTON STATE GAMBLING COMMISSION

COMMISSION MEETING THURSDAY, FEBRUARY 10, 2000 DRAFT MINUTES

Chair Ludwig called the meeting to order at 1:30 p.m., at the Howard Johnson/Everett Pacific Hotel in Everett. He introduced the following attendees:

MEMBERS PRESENT: CURTIS LUDWIG, Chairperson;

COMMISSIONER LIZ MCLAUGHLIN; COMMISSIONER MARSHALL FORREST; COMMISSIONER GEORGE ORR; and

OTHERS PRESENT: BEN BISHOP, Executive Director;

SHERRI WINSLOW, Deputy Director, Operations;

ED FLEISHER, Deputy Director, Policy & Government Affairs; CALLY CASS-HEALY, Assistant Director, Field Operations; DERRY FRIES, Assistant Director, Licensing Operations; ROBERT BERG, Assistant Director, Special Operations;

MONTY HARMON, Program Manager;

JONATHAN MCCOY, Assistant Attorney General; and

SHIRLEY CORBETT, Executive Assistant

1. NEW LICENSES, CHANGES, AND TRIBAL CERTIFICATIONS:

<u>Commissioner McLaughlin made</u> a motion seconded by <u>Commissioner Forrest to</u> approve the new licenses, changes, and tribal certifications as listed in pages 1-23 of the agenda packet. *Vote taken; the motion carried with four aye votes*.

2. REVIEW OF FRIDAY'S AGENDA:

Ed Fleisher, Deputy Director, noted several changes in today's agenda: the card room contract for New Sonny's Restaurant will not be heard today; and the Phase II reviews for the Slo Pitch in Bellingham and Sidney's in Aberdeen will not be heard.

WSGC Meeting, Everett Draft Minutes February 10th & 11th, 2000 Page 1 of 16 **Mr. Fleisher** noted that Friday's agenda contains two staff reports; one from Derry Fries on the transition process from the pilot program to the permanent enhanced card room program, and a legislative update. He also identified the rules up for final action and those up for discussion.

3. **GROUP V - QUALIFICATION REVIEWS:**

Seattle Skating Club, Inc., Edmonds

Monty Harmon, Financial Investigations, reported that Commission staff conducted the qualification review for the fiscal year ending June 30, 1999. It was noted the Seattle Skating Club was formed as an athletic organization. The organization provides programs and facilities supporting the local skating community as well as promoting the sport of figure skating. The organization met its combined net return for its Class M Bingo license. There are no pending administrative charges against the organization as of this date. The organization made significant progress towards its stated purpose, and based on the review, staff recommended approval of Seattle Skating Club, Inc., as an athletic organization to conduct gambling activities.

Chairman Ludwig pointed out that while the non-gambling revenue was slightly down from the previous year, the total revenue was actually up and inquired how they accounted for the revenue. **Ms. Sanford**, representing the organization, responded that it was due to a refund received through an IRS ruling.

Commissioner Forrest made a motion seconded by Commissioner Orr to approve Seattle Skating Club, Inc., located in Edmonds, as an athletic organization, and that they be authorized to conduct gambling activities in the state of Washington. Vote taken; the motion carried with four aye votes.

4. <u>CARD ROOM CONTRACTS UNDER APPENDIX B – GENERAL ENHANCEMENT PILOT PROGRAM:</u> Dave's Place Pub & Grill, Everett

Cass-Healy reported that Dave's Place Pub and Grill is requesting the ability to increase the number of gaming tables, use alternative methods of fee collection, and to run player-supported progressive jackpot schemes. The facility is located in Everett and has been operating since 1996. They are requesting authorization to operate four tables: one traditional Poker or player-dealt and three center-dealt.

Commission Forrest asked what the difference was between the ring table and center-dealt. **Director Bishop** explained that a ring table referred to player dealt card games for which the deal passes around the table. Center dealt means a dealer hired by the house always deals the cards, but does not play. That is not the same as house-banked – it is just someone who is doing the dealing and monitoring the game.

Commissioner McLaughlin inquired why the maximum wagering limit was \$24 rather than \$25. **Ms. Cass-Healy** believed they may have decided to set their maximum at that level. She advised she would confirm the limit.

Commissioner McLaughlin made a motion to accept the agreement with Dave's Pub and Grill, allowing Appendix B of the enhanced pilot program. Commissioner Forrest seconded the motion to approve the contract. Vote taken; the motion carried with four aye votes.

5. <u>CARD ROOM CONTRACTS UNDER APPENDIX C – HOUSE BANKED PILOT PROGRAM:</u> Charlie Mac's Casino. Sea Tac:

Cally Cass-Healy reported that this commercial restaurant, lounge, and card room has not been in

WSGC Meeting, Everett Draft Minutes February 10th & 11th, 2000 Page 2 of 16 operation for six months. The owners requested and were granted a six-month waiver which was based on the 10 years of experience of Rod Murray who gained his experience in both Reno and Washington tribal entities. Charlie Mac's is requesting approval to conduct house-banked card games with 15 house-banked tables, 2 Pai Gow Poker and 13 Black Jack. Special agents reviewed the internal controls and conducted the pre-operation inspection. It was determined the operations were in compliance with all the requirements. The internal controls appear to be functional as stated in their submission. Based on the review, approval to participate in the Commission's house- banked card room test as a Level II, Phase I operation is recommended.

Commissioner Forrest commented that he understood the businesses were anxious to get going, but, he had observed they often do not have all of their staff. He advised that he is inclined to think that if they aren't ready, their review should be held the following month, when they are ready. Ms. Cass-Healy expressed the licensee's concern relating to the fact that the agency starts their investigation 45 days in advance, and the licensee didn't necessarily want to pay employees 45 days before opening. They typically hire the bulk of their employees after the agents conduct the pre-op, before they open, or before they go before the Commission. Commissioner Forrest believed that if they didn't have their staff hired by the Commission meeting date, they should be postponed until the next meeting.

Commissioner McLaughlin asked how the Commission could be guaranteed that Mr. Murray is not service-supplying his own establishment. Ms. Cass-Healy replied the only current prohibition is that a pull-tab service supplier cannot also be a pull-tab distributor. Director Bishop noted the same criterion applies to manufacturers. He affirmed that there may be certain knowledge that one could have as a manufacturer that should not be possessed by an operator. Other activities, such as being a patent holder of certain card games played, has no impact on whether he can play the games in his establishment. A service supplier might provide management consulting for another card room, but, no collusion should occur that would impact the gaming.

Chair Ludwig asked if Mr. Rodney Murray was present. **Mr. Murray** said he and his wife owned the establishment and that they were scheduled to open the first of next week. Chair Ludwig asked about Mr. Murray's prior experience. Mr. Murray said he entered the gambling business in 1976, dealing games. He left Nevada as a Director of Public Relations in 1992, when be became the Director for the Tulalip Tribal Gaming Agency, where he worked for five years.

Ms. Cass-Healy clarified that Mr. Murray's manufacturer's license is just for the game layouts that he manufactures.

Commissioner Forrest made a motion seconded by Commissioner McLaughlin that Charlie Mac's Casino be approved to participate in the house-banked card room test as a Level II, Phase I operation. Vote taken; motion carried with four aye votes.

Royal Club, Seattle (Skyway):

Ms. Cally Cass-Healy reported this establishment is a commercial restaurant, lounge, and card room that was granted a conditional Class B pull-tab license and house-banked card room license in February. They were also granted a six-month waiver based on the full-time participation of Jerry Allen, who is the current general manager. He has 15 years of Washington card room and casino experience, including five years in management. The Royal Club is owned by James D. Routos. Mr. Routos is also the owner of Player's Casino in Federal Way. They are currently not conducting any gambling activity at Players. This is a request for approval to conduct house-banked card games with 15 house-banked tables including 8 Black Jack, 2 Progressive Black Jack, 1 Pai Gow Poker, 1 Fortune Pai Gow, 1 Caribbean Stud, 1 Let It Ride, and 1 Spanish 21. Special agents reviewed the internal controls and conducted a pre-operations inspection. It was determined the licensee's operations are in compliance with all of the

requirements and the internal controls are functional. There were not enough employees at the time of the inspection, but that has been resolved as of this date. Based on the review, approval to participate in the house-banked card room test as a Level II Phase I operation is recommended.

Mr. Jim Routos acknowledged that he was the owner and available for questions. **Chair Ludwig** addressed the license for Player's Casino, which never started operating. **Mr. Routos** said they did start operating, but closed down the house-banked operation portion of their operation in June. Mr. Routos explained it had to do with a combination of things – some of which was the uncertainty of when they would be able to request a Phase II review. Chair Ludwig asked if they planned to reopen at some future time. Mr. Routos affirmed.

<u>Commissioner Forrest made a motion seconded by Commissioner McLaughlin to approved the Royal Club of Skyway to operate a house-banked card room at Level II, Phase I. Vote taken; motion passed with four aye votes.</u>

6. PHASE II REVIEWS:

Silver Dollar, SeaTac:

Cally Cass-Healy reported this establishment is a commercial restaurant, lounge and card room. The business is owned 100 percent by Big Nevada Incorporated. The business received their original gambling license on April 3, 1999. The Silver Dollar was approved for Phase I operation and began house-banked operations in July of 1999. They are currently operating 15 tables including 1 Pai Gow, 1 Caribbean Stud, 2 Let It Ride, 1 Spanish 21, 1 Fortune Pai Gow, and 9 Black Jack tables. Staff review included review and observation of the key operating departments and a review of gaming and organizational records. In addition, the City of SeaTac was contacted and they confirmed the licensee is current with all local gambling taxes. The SeaTac Police Department has not experienced problems with the licensee. All violations noted during the review were corrected and based on this review, staff recommends the decision to approve Level II, Phase II status for the Silver Dollar Casino in SeaTac.

Commissioner Forrest commented that as he understood it, the organization didn't make any effort to comply with the deposit requirements and had to put in \$75,000 after it was called to their attention. Ms. Cass-Healy replied that formerly, the Commission did not regulate whether they had all of the money on hand for a regular jackpot, although there is that requirement for the player-supported jackpot games. Staff published a recent addendum and is now playing catch-up to make sure the money is in the accounts. Commissioner Forrest said he was glad it's finally been added because it seemed to be a fairly fundamental protection, and is the kind of thing that he believed staff should be diligent in overseeing.

Chair Ludwig asked if there was anyone present from Silver Dollar Casino. Mike McCarthy came forward and introduced himself as one of the shareholders at the Silver Dollar SeaTac, and Regional Director for both properties. Chair Ludwig pointed out that there were not a lot of infractions and they have all been corrected. However, he noted when they started out, they had 18 or so violations and worked it down to three or four violations, and now they are back up to seven. This apparently involved a lot of dealer mistakes – failure to execute the wager and the pay out correctly. Mr. Murphy said the issue has been addressed. He noted it is an ongoing chore to keep almost 300 people up to speed – they are constantly bringing in new people, including new floor people, so violations do occur.

Commissioner McLaughlin asked Mr. McCarthy if he had ever worked for any other houses around the area. Mr. McCarthy said he had worked with the Tulalip Tribes and the Tulalip Casino; he was the Chief Operating Officer for four years from 1992 to 1996, and he had 15 years in the state of Nevada with the MGM-Valley or Bally Corporation. Commissioner McLaughlin asked if the two Silver Dollar Casinos had been the only casinos he had worked for in this state. Mr. McCarthy affirmed that outside the tribal experience, he's been with Mr. Isley's corporation for two years.

<u>Commissioner Marshall made</u> a motion seconded by <u>Commissioner Orr</u> to approve Silver <u>Dollar</u> <u>Casino-SeaTac</u>, for implementation of <u>Level II</u>, <u>Phase II status with gambling limits of \$100</u>. <u>Vote taken:</u> the motion carried with four ayes.

7. OTHER BUSINESS/GENERAL DISCUSSION/COMMENTS FROM THE PUBLIC:

Mr. Bob Brennan, reported that the Recreation Gambling Association has had discussions on how to police themselves and their industry from cheating employees without making themselves vulnerable. He offered an example of a dealer getting caught stealing and questioned how they can share the information that the employee had been let go because of cheating. Mr. Brennan noted it is a very sensitive legal issue. He questioned the Commission's ability to police the situation if the establishments can't report it to agency staff -- and how can they advise Commission staff without ending up in a lawsuit. **Chair Ludwig** asked if it would help if the Commission had a rule requiring an establishment to report to the Commission when an employee is terminated for a cheating allegation. Mr. Brennan affirmed it would, then addressed the situation of people working under two or three different names.

Chairman Ludwig referred the matter for staff and Director Bishop's review. He asked if the Commission had any regulations in addition to the financial reports, where certain things are to be reported to the director. **Director Bishop** responded that RCW 9.46.153(3) states that anyone who has a license, or employees or agents of those licensees, shall have a duty to inform the Commission or its staff of any action or admission which they believe would constitute a violation of this chapter. It is not a matter of choice: there is a duty under this law to report those things. Director Bishop understood Mr. Brennan is looking for protection from being sued, and noted the law goes on to say it has some intent to protect the informer from being discriminated against, but that discrimination has to do with firing an employee. Director Bishop believed distributor representatives and Bingo managers are required to inform the Commission when someone dismisses them for cause. The reason was to keep someone who was fired for gambling related problems from simply starting employment with another organization. Director Bishop affirmed that if Commission staff is notified a person was caught cheating, staff will investigate. If they find the evidence (it should probably be on the surveillance tapes), the Commission will prosecute. Director Bishop clarified there is a difference between what a prosecutor or police department may want to take through their process and what the Commission staff will take prosecute. From the perspective of the Commission, Director Bishop emphasized that cheating would not be tolerated by operators, employees, or players.

Commissioner McLaughlin noted that when she first came on the Commission, there was a confidential list, however, she could not recall whether it was strictly for the Indian casinos. Chair Ludwig and Director Bishop affirmed. Chair Ludwig explained it was circulated by law enforcement specifically for tribal casinos regarding people who were actually caught and prosecuted for cheating. Robert Berg, Assistant Director, clarified their intelligence unit in cooperation with tribal gaming agencies created a cheater's database. When there were documented incidents of patrons cheating, that information was gathered, centrally collated, and then redistributed back to the tribes. There were some issues about keeping that kind of an intelligence database. It was okay for them to keep it as a law enforcement agency; it was okay for them to share it with other law enforcement agencies, but, it was inappropriate for them to share that intelligence data with the tribal gaming agencies who although regulatory in nature are not necessarily law enforcement agencies. Commissioner McLaughlin asked why it couldn't be shared with tribal police. Mr. Berg responded that if the entity was a tribal law enforcement agency, recognized under RCW Chapter 10 as a criminal justice agency, then sharing the intelligence information would be proper. Some of the tribes have tribal law enforcement agencies so recognized; others do not. He noted the private sector in the state of Nevada maintains a book of cheaters and it is available to any licensed establishment in that state. Mr. Berg noted there is proposed agency legislation on cheating. If the proposed legislation passes, cheating would be felony.

Director Bishop called Ed Fleisher to the podium and presented an award in recognition for 25 years of state service. Mr. Fleisher started his career with the state in 1974, when he went to work for the House of Representatives -- he was legal counsel for two years under Governor Lowery, and was appointed to the Court of Appeals for two years. He went into private practice and returned to state service in 1997, when he went to work for the Insurance Commission. In 1998, Mr. Fleisher came to work for the Gambling Commission. Director Bishop recognized Mr. Fleisher's inner knowledge of the legislative process, his well established relationships with legislators and other officials, and his in-depth knowledge of the gambling industry.

8. EXECUTIVE SESSION TO DISCUSS PENDING INVESTIGATIONS AND LITIGATION:

Chair Ludwig called for any other public comments. There were none, and he called for an Executive Session at 2:40 p.m. Chair Ludwig noted no further business would be conducted following the Executive Session, with the exception of adjourning the meeting.

9. ADJOURNMENT:

Chair Ludwig recalled the open public meeting at 4:00 p.m. and declared the meeting adjourned.

WASHINGTON STATE GAMBLING COMMISSION

COMMISSION MEETING FRIDAY, FEBRUARY 11, 2000 MINUTES

Chair Ludwig called the meeting to order at 9:30 p.m. at the Howard Johnson/Everett Pacific Hotel in Everett.

MEMBERS PRESENT: CURTIS LUDWIG, Chairperson;

COMMISSIONER LIZ MCLAUGHLIN; COMMISSIONER MARSHALL FORREST; COMMISSIONER GEORGE ORR; and

OTHERS PRESENT: BEN BISHOP, Executive Director;

SHERRI WINSLOW, Deputy Director, Operations;

ED FLEISHER, Deputy Director, Policy & Government Affairs; CALLY CASS-HEALY, Assistant Director, Field Operations; DERRY FRIES, Assistant Director, Licensing Operations; ROBERT BERG, Assistant Director, Special Operations;

MONTY HARMON, Program Manager;

JONATHAN MCCOY, Assistant Attorney General; and

SHIRLEY CORBETT, Executive Assistant

1. MINUTES – January 18, 2000:

Chair Ludwig declared if there were no corrections, changes or additions, the January 18, 2000, meeting minutes would stand approved as written. There were no objections.

2. STAFF REPORTS:

Pilot Program Transition Process:

Derry Fries, Assistant Director, Licensing, noted the pilot program is scheduled to end in May of this year. He outlined the transition plan to process card room applications subsequent to the end of the program. A detailed letter was included in the packets that will be sent to licensees and any new card room applicants. Revised applications will be available for public distribution on March 15, 2000, and new applications will be accepted on April 1, 2000. The agency will exhaust the present CREP list prior to processing any new applicants. At the present time there are 38 remaining on the list. Ten of these

WSGC Meeting, Everett Draft Minutes February 10th & 11th, 2000 Page 7 of 16 applicants do not have locations. The plan is to notify them and if they don't have a valid location by May 1st, the case will be administratively closed and any unused portion of the license fee minus agency charges will be returned. New house-banked applicants applying on or after April 1, 2000, will be prioritized based upon their date of application. Beginning April 1, 2000, the internal control reviews will actually be part of the licensing process.

Chair Ludwig discussed the matter of time limitations on the filing of these rules. It is now anticipated they will not be effective on May 1st, but rather May 15th. **Mr. Fries** affirmed and noted the agency will be sending out a consolidated bill when they send out the renewal license notices. The billing will identify the enhanced program fee and the new fee. Chair Ludwig called for questions from Commissioners and licensees, there were none.

LEGISLATIVE REPORT:

Mr. Ed Fleisher provided an update on the following legislation. The first two items are agency request bills, which are moving forward.

Criminal History Records, HB 2353 / SSB 6145:

House version passed the House 97-0 and is now in the Senate Committee.

Penalties for Cheating at Gambling, HB 2453 / SSB 6146:

Passed the House yesterday and going to the Senate today. The bill on cheating at gambling passed the House yesterday and will be referred to the Senate Committee today. Chairs have agreed they will go with the House version of the bill. The House may still pass its version of the cheating bill.

Zoning of Gambling Activities, or House Banked Card Rooms HB 2946 / SB 6422:

This bill is still under quite a bit of discussion in the House and in the Senate. The RGA as well as the cities and counties are continuing to work on agreeable language. The charitable operations have also become involved in the discussion. There's no conclusion as of yet, although the bills were passed out of committee in both houses in order to keep the issue alive while they continued discussing which way they were going.

Promotional Contest of Chance, SSB 6373:

The bill was introduced in the Senate and has cleared with some minor amendments. It is in the Rules Committee awaiting action on the floor. Cut-off for action on bills in their original House is next Tuesday at 5 o'clock.

Charitable Fund Raising Events, SHB 2358 / SB 6339:

The bill allows fund raising events to be concurrently conducted on a non gambling basis, but can only be done by the members of the organization. This bill would change the statute to allow the charity to hire a professional company to actually conduct the fund raising event, although it could not be at that company's premises (it would have to be at some other premises). It also allows additional purchases of scrip to do additional fund raising at these events. The House version passed on Tuesday and is now on its way to the Senate.

Bingo - Shared Locations, Facsimiles, Moratorium, SSB 6588:

This bill was introduced in the Senate to do three things: 1) to allow Bingo halls to share facilities where they are currently limited to operation three days a week. Two charities could get together and share the same facility for a total of six days a week. 2) put a five-year moratorium on additional Bingo licenses, and 3) authorize games that were played on facsimiles of Bingo cards which effectively would be an authorization for the Commission to allow what typically is called the Class II Bingo machines to be played at the charitable organizations. The latter provision on the machines was removed from the bill

before leaving the committee. There is a lot of discussion as to whether this bill is going to come to the floor and, if so, whether the machines will or will not be added back to the bill.

Gambling Youth Education, HB 2856 / SB 6639:

Proposed a \$75,000 General Fund appropriation to this agency intended to be used for the problem gambling contract to do some work on youth education and problem gambling. The bill did not make it out of committee in either house before the deadline, although because it's purely a budget appropriation, it still could be alive until the end of the session.

Personal Financial Information, SHB 2792 / SSB 6686:

This is a Governor's Executive Request bill that originally exempted certain limited amounts of personal financial information, particularly credit card numbers, credit card expiration dates, and bank account numbers for all agencies from the Public Disclosure Act. There was another bill in the legislature specific to the Gambling Commission, the Lottery, and the Liquor Control Board that exempted financial information received in a license application from disclosure under the Public Disclosure Act. That latter bill was amended onto the Governor's bill and is moving along – it passed the House day before yesterday. It is not being opposed by the allied daily newspapers which is the usual opposition group to public disclosure amendments.

Credit Union Raffles, HB 2764 / SSB 6557:

This is the bill that added the credit unions to the list of non profits that can conduct charitable raffles. It did get out of Committee in the Senate and is sitting in Rules.

Bills in Committee:

The Moratorium on Enhanced Card Rooms (HB 2768) and Pull Tab Tax Reduction to 2% (HB 2548 and SB 6632). Neither bill made it out of the committee by cut-off and appear to be dead at this point.

3. Gambling Service Supplier Rules:

WAC 230-02-205, WAC 230-02-206, and WAC 230-04-119.

Ed Fleisher reported this is a package of three rules intended to do two minor modifications to the gambling service supplier rule to make clear to the licensees exactly which type of license they need to apply for when they're doing certain activities. Item 3A amends WAC 230-02-205. The new Subsection E clarifies that persons who provide the assembly of components of a gambling device under contract with a licensed manufacturer should get a license from the Gambling Commission as a gambling service supplier.

The second issue deals with dealer schools which have started to develop in the last couple years. This has been discussed at several meetings and amended version #3 contains the language as a result of last month's meeting. The only schools that need to file for a gambling service supplier license are those schools that are not colleges and universities regulated by the Higher Education Coordinating Board or the community colleges. Those schools that are regulated by the Work Force Training Board would have to get a license as a gambling service supplier. **Commissioner Forrest** asked which agency regulates those schools. Mr. Fleisher responded that the Work Force Training and Education Board was an agency created by the Legislature a number of years ago for job training. It does not do an accreditation form, but regulates the various types of schools that are. Mr. Fleisher said these are not government schools, they are private institutions. These schools are strictly training dealers. Commissioner Forrest asked if anyone in the audience employed graduates of these schools. No one responded.

Mr. Fleisher reported that Item 3B deals with the service supplier representative. Item 3C is conforming to the other two rules in clarifying who needs a license. Here they are going to have situations where gambling service suppliers are providing their services not to operators, but to manufacturers and the

schools. **Chair Ludwig** called for questions from the Commissions and the public. He noted this will be the last opportunity to clarify or comment on these rules because they may be adopted this morning. There were no public comments, he closed the public hearing.

<u>Commissioner Forrest made a motion, seconded by Commissioner Orr that WAC 230-02-205, 206 and WAC 230-04-119 gambling service supplier rules discussed in Sections 3A through 3E be amended as set forth and adopted. Vote taken; motion passed with four aye votes.</u>

4. <u>Bingo Rules - Streamlining:</u>

WAC 230-02-108, WAC 230-02-123, WAC 230-02-183, WAC 230-08-080, WAC 230-08-100, WAC 230-08-105, WAC 230-12-050, WAC 230-12-078, WAC 230-20-110, WAC 230-20-120, WAC 230-20-220, WAC 230-20-243, and WAC 230-20-244.

Cally Cass-Healy reported these rules were up for discussion only and will appear on the agenda for final action next month. The rules in this package are the result of discussions within the Net Return Task Force. The intent of this package was to streamline some of the current requirements and to clarify others and to make some changes that allow Bingo operators more freedom to provide incentives to their players.

Item 4A – Gambling proceeds defined is WAC 230-02-108 and the language in Subsection 1A has been amended to reduce the restrictions on what types of expenses can be deducted from gambling income. It also allows taxes and license fees to be considered as necessary expenses for those deductions.

Item 4B- WAC 230-02-123 Charitable or non profit organizations net return defined. Language was added to clarify that income from the rental of a gaming facility may be applied toward an organization's net return.

Item 4C- WAC 230-02-183 Active member defined. Under subsection 5 language was added to clarify that members who attend 75 percent of an organization's meetings will be considered active members. This allows all members including those who live out of the state to miss one or two meetings while still maintaining their active member status.

Item 4D – WAC 230-08-080 Daily records for Bingo. This removes the requirement to record the time the attendance count is taken and reduces the length of time records must be maintained on the premises from 3 years to 24 months, except for the session summary itself.

Item 4E – Political contributions of licensees to be reported. Staff is asking for this to be repealed. Operators are already required to report political contributions annually to the Public Disclosure Commission so it is a redundant requirement. **Chair Ludwig** asked if there was an amount they could stay under without reporting. Delores Chiechi affirmed anything under \$50.

Item 4F- WAC 230-08-105 Disposable Bingo cards inventory control record. This clarifies that electronically generated inventory records may be utilized if approved by staff.

Item 4G – WAC 230-12-050 Extension of credit, loans or gifts prohibited. Bingo operators have requested the ability to provide free or discounted food and non alcoholic beverages to their players to provide incentive. The language under (5) specifically exempts free food and drink to Bingo players from being considered a gift.

Item 4H - WAC 230-12-078. Bonafide charitable or non profit organizations. This is simply a housekeeping change so the rule is consistent with requirements set forth in WAC 230-12-076 and WAC 230-04-040 regarding group assignments and responsibilities.

Item 4I - WAC 230-20-110. This is a repealer. Prohibited practices. This rule is redundant.

Item 4J- Repealer. This is allows Bingo operators to offer the free and discounted food as was set out in Item 4H.

Item 4K - WAC 230-20-220 Operators shall not play. This rule was reworded to remove some extraneous language and make it easier to read.

Item 4L- WAC 230-20-243 -Hidden face Bingo games. This codifies the requirements for instant winner games.

Item 4M- WAC 230-20-244 - Electronic Bingo card daubers. Language was added in subsection 2B to clarify that Bingo players can play a maximum of 66 electronic Bingo cards in addition to as many paper Bingo cards as they choose. This is a clarification.

Chair Ludwig called for any questions or discussion by Commissioners. There were none, the meeting was opened for public testimony. Chair Ludwig noted the task force has been working diligently on these rules. He said the practice of negotiated rulemaking in this agency is commendable and the practice should be undertaken statewide by all agencies. No questions were forthcoming, Chair Ludwig closed the hearing and advised that the rules will be on the agenda next month for final action.

5. Licensee Reporting Requirements Rule: WAC 230-12-310

Ed Fleisher explained these rules are up for discussion and will appear for two more meetings because of the timing with the Code Reviser's Office, and won't be up for final adoption until the April meeting. Staff recommended this rule to clarify what type of information regarding criminal and civil matters the licensees needed to report to the Gambling Commission. The current WAC requires reporting of criminal and most civil actions. It is ambiguous on whether that includes administrative actions. This rule would clarify that it does include certain administrative actions and particularly any action by a gaming regulator from another state or country. Chair Ludwig asked if the Commission wanted to pursue Mr. Brennan's suggestion or concern, and would this be the appropriate place to put in reporting requirements for any termination of any licensed employees for cause. Mr. Fleisher expressed staff's desire to consider the issue before writing a rule. Offhand, he didn't believe this would be the most appropriate location -- this rule relates to the reporting of actions taken by governments and third parties against a licensee.

Commissioner McLaughlin asked what a selective administrative action was. **Mr. Fleisher** said the intent is to be certain administrative actions are reported. Staff will provide better language that clearly states what administrative actions are needed.

Commissioner Forrest said that the exemption at the end of the first paragraph where it says all civil cases involving personal injury, debt collection, adoption, et cetera. He asked if the thrust of this was lawsuits or administrative actions that relate in some way to the business of the ownership or operation of the licensed business. Mr. Fleisher affirmed. Commissioner Forrest believed the exemption could be made more comprehensive, or maybe it should be reversed. Instead of saying once excluded, it could say -- in any way they relate to the ownership, operation, and management of the licensed business. Mr. Fleisher liked the suggestion and advised staff would work on the language for the next meeting. Commissioner Orr asked staff not to totally exclude civil court because there may be some

ramifications. **Director Bishop** asked if the intent would be to include tribal governments. Mr. Fleisher affirmed.

Chairman Ludwig opened the issue for public comments. No comments were forthcoming. He closed the public hearing.

6. Card Room Rules:

General Card Games:

WAC 230-04-010, WAC 230-40-015, WAC 230-40-030, WAC 230-40-040, WAC 230-40-050, WAC 230-40-060, WAC 230-40-070, WAC 230-40-120, WAC 230-40-125, WAC 230-40-130, WAC 230-40-150, WAC 230-40-160, WAC 230-40-200, WAC 230-40-225, WAC 230-40-400, WAC 230-50-010, and WAC 230-40-900

Player-Supported Jackpot (PSJs):

WAC 230-40-600, WAC 230-40-610, and WAC 230-40-615.

House-Banked Card Games, Additional Requirements for PSJs, Specific Fee Assessment and Collection Methods:

WAC 230-40-800, WAC 230-40-803, WAC 230-40-805, WAC 230-04-810, WAC 230-40-815, WAC230-40-820, WAC 230-40-823, WAC 230-40-825, WAC 230-40-830, WAC 230-40-833, WAC230-40-835, WAC 230-40-840, WAC 230-40-845, WAC 230-40-850, WAC 230-40-855, WAC 230-40-860, WAC 230-40-865, WAC 230-40-870, WAC 230-40-875, WAC 230-40-880, WAC 230-40-885, WAC 230-40-890, WAC 230-40-895, and WAC 230-40-897.

Card Room Definitions:

WAC 230-40-550, WAC 230-40-552, WAC 230-40-554, WAC 230-40-556, WAC 230-40-558, WAC 230-40-560, and WAC 230-40-562

Other Rules Relating to Card Games:

WAC 230-02-109, WAC 230-02-110, WAC 230-02-400, WAC 230-02-415, WAC 230-02-425, WAC 230-04-022, WAC 230-04-140, WAC 230-04-142, WAC 230-04-204, WAC 230-04-207, WAC 230-04-255, WAC 230-04-450, WAC 230-08-040, WAC 230-08-090, WAC 230-08-027, WAC 230-08-160, WAC 230-12-050, WAC 230-12-072, and WAC 230-12-073.

Chair Ludwig noted these rules were discussed at some length last year and last month. **Sherri Winslow**, Deputy Director, Operations, said the card room rules package includes the collection of all the operating guidelines used during the test program and some recommended regulations as a result of the test. The first section, general card games, covers fees, rules of play, table and wagering limits, and hours of operation. The policy issues include the fees, the table and wagering limits and the hours of operation. There have been some changes since January in this section and they include WAC 230-40-010, new language was added in that section. **Commissioner Forrest** asked if the change was significant. Ms. Winslow responded that it was basically housekeeping.

Ms. Winslow addressed Player-Supported Jackpot (PSJs) in WAC 230-40-600, WAC 230-40-610, and WAC 230-40-615, which governs the rules of conduct and control structure for non house-banked games. The policy issues relate to the PSJ wager limit. There was one change made to 230-40-610 since January and that was a reduction in the storage limitation for winning decks from 14 days to 7 days. **Commissioner Forrest** asked why there is a distinction between the collection of 5 percent from a player's winning hand and Pai Gow, aside from any other game. Ms. Winslow believed it was just the way the game is played. Director Bishop stated that Pai Gow Poker is basically an evens/odds game, and that the 5 percent commission is the house edge.

Ms. Winslow addressed Section C – House-banked card games, additional requirements for PSJs, specific fee assessment and collection methods. This covers the house-banked card rooms, the control structure, the operating rules and procedures, prize limits, banking requirements, promotions, and the internal control evaluations along with the audit requirements. The policy issues relate to the Phase II wager limits, the limits on prizes and on the promotions. The changes that were made since January include WAC 230-40-803. This WAC was rewritten for clarity purposes and ease of reading.

Ms. Winslow addressed Section D - WAC 230-40-810, the odds-based wager. The change makes it consistent with what was filed with the Code Reviser, to include examples of how calculations are made for the odds-based wager.

WAC 230-40-820 relates to the house-banked card games internal controls system evaluation. There was an error in the small operator requirement that has been changed to require an internal control evaluation once every two years instead of twice a year.

The last change in this section related to WAC 230-40-897 -- Card game promotions. **Ms. Winslow** reported this added a recommendation from the licensee groups, and the value of promotional items was increased to \$50.

Section D – Card room definitions. Ms. Winslow said this covers the items requiring a definition for card room activity, and that there were no policy issues in this section.

Section E – Other rules relating to card games. This section covers card term definitions, licensing and certification procedures, record keeping and reporting requirements, and deposit requirements for PSJ and house-banked games. The policy issues equate to fees for individuals. Some changes in that section include WAC 230-04-255 -- the Director may issue temporary licenses. This is a new rule since January -- and outlines the procedures and restriction for the issuance of temporary licenses. It says the Director shall not issue a temporary license to manufacturers or applicants of house-banked card games. Temporary licenses shall allow an applicant to conduct such an activity for a period not to exceed 60 days.

Commissioner McLaughlin wanted to know why temporary licenses are given. Director Bishop said temporary licenses are given so the business can conduct business seamlessly outside of the parameters of Commission Meeting schedules. Our rules only require a Commission meeting every quarter – or four times a year. If businesses had to wait for the Commission to formally approve every license, they could be waiting for 90 days or more in some cases to get a license. The statute allows the Commission to delegate the issuance of a temporary license to the director and the Commission has done so by rule -- allowing the director to issue a temporary license for up to 60 days. The only exception has been for manufacturers. They have to come before the Commission and have to meet the meeting schedule. That wasn't codified; it has just been policy. Director Bishop noted that during the pilot program, entry into the pilot program has been specifically approved by the Commission. This did not get delegated to the director. Eventually, when staff came forward with the rules, they assumed that a house-banked card room license would be like all other licenses except for the manufacturer; and that the director would be able to issue temporary licenses. Commissioner McLaughlin said that answered her concern. Chair Ludwig noted the feeling among some of the Commissioners is that they want to continue the process of bringing each application before the Board at least for the foreseeable future, but that this may change in the future.

Commissioner Forrest asked if this would produce any problem or difficulty. Director Bishop said it could cause businesses problems from the perspective of timing the start of their business. Commissioner McLaughlin said the perception of the public right now is that house-banked games are on the rise and gambling is rampant. Additionally, the public expected the Gambling Commission to keep an eagle eye on this particular phase of gaming. Perhaps a year from now the public will realize

this isn't any different than any other card room license that has been issued in the past. Commissioner McLaughlin was comfortable with the current process. Commissioner Forrest agreed because it also provides a chance for the public to complain. One reason for conducting the approval at the meeting is so the public knows they have a chance to state their grievance and to be listened to. Commissioner Forrest believed that was well worth the inconvenience it may be to a licensee for some delay in opening.

Director Bishop said that staff's initial approach had been that this is no different than any other license -- they go through the initial investigation, through the process, they find some problems and correct those problems, then they continue with the process. Initially staff said they didn't see a reason to treat this different. **Chair Ludwig** commented that from a staff perspective, it isn't any different than any other license approval or application, but from the editorial board's perspective, they probably don't care how many punch board, pull-tab licenses that staff has issue or how fast they are issued. However, they do care about the image of their city from card rooms.

Chair Ludwig visualized a situation where there may not be a Commissioner quorum. This could stall a 30-day wait up to a 60-day wait for a card room approval. Within the director's discretion, could these be submitted to the Commission outside of a meeting (for instance, by fax or mail and setting up a conference call). **Director Bishop** said the public must receive public notice of the meeting and agenda content. In the instance of a hardship, a special meeting could be called.

Jon McCoy, Assistant Attorney General, affirmed a special meeting could be called, and it would go through the same notification process as an ordinary meeting. He affirmed there has to be some kind of an open format, or a way of addressing the Commission. Regarding the conference call potential, Chair Ludwig suggested it could be accomplished by having one commissioner present on the speakerphone and the others participating by telephone. Mr. McCoy affirmed. Commissioner McLaughlin concurred the public would have an opportunity to participate under those circumstances.

Ms. Winslow said one last item is a request to have WAC 230-04-203 fees for commercial stimulant and other business organizations added for filing with this package. Staff is asking that the language be deleted that requires Class F licenses for increased betting limits because it's no longer necessary. **Chair Ludwig** called for any questions and then opened the issue for public testimony.

Gary Murray, Wizzards Restaurant and Casino, and a member of the RGA Executive Board addressed the Commission. He noted that commission staff and RGA staff have spent many hours discussing each concern and to clarify each issue. Whether the rules were changed or not, it provided everyone an opportunity to understand both sides of the issue. Mr. Murray complimented staff on their ability to work with the RGA. **Chair Ludwig** asked Mr. Murray if he recommended the Commission eventually adopt the rules as presented. Mr. Murray affirmed.

Bob Tull, Attorney for RGA, also complimented the process, and acknowledged it as a very effective example of negotiated rule making, and it has been a pleasure to work with staff and the Commission on these issues. Mr. Tull was pleased to hear the discussion about the question of whether or not to have a special Commission screening step in the enhanced card room process.

Mr. Tull believed this rules package and the question of temporary licensing is one the Commission will want to continue to work on.

Mr. Tull addressed situations wherein some operators simply cannot afford the overhead months in advance. He asked the Commission to consider the impact on the little operators when they have delays that may not be serving any other purpose than maintaining a public image of additional scrutiny. Mr. Tull suggested that for an enhanced program operator to start operating under today's system and under the system that this rules package contemplates; they will have completed all the physical work, all the paper work, and they must have their staff ready to start. He proposed the Commission consider some

options such as making sure they get early notice of proposed enhanced card rooms, making sure they have a chance to communicate with staff leading up and through the licensing process, maintain awareness, and perhaps put their focus on the reviews. Mr. Tull believed the Commission ought to have the licensees come before the Commission either at the time they're getting their license approval to go forward, or if temporaries are appropriate (and he believed they are in some situations), then have them come to the next meeting.

Chair Ludwig expressed appreciation for Mr. Tull's comments. He suggested that the Commissioners needed to know in advance if the Director was going to issue a temporary license. If they received notification of his intent to issue a temporary license pending the next Commission meeting, and faxed the report that lists the ownership and the interest and other businesses; perhaps in the absence of some objection, the Director could go ahead and issue it. Chair Ludwig said he was sure the Commissioners would continue to think about this issue.

Commissioner McLaughlin indicated she might be comfortable with the director issuing a temporary license for house-banked card rooms if it was on the record that he was considering specific locations prior to executing the temporary license. That way, the public would have a chance to respond before the license was issued. She said that is the only reason she's against a temporary license in this case -- because no one will know anything about them. Chair Ludwig said he didn't think the public would have the chance to respond unless they had a public hearing.

Chair Ludwig called for other comments. There were none and he closed the public hearing, acknowledging this item will appear on the agenda again next month.

Ms. Winslow asked that the Commission consider filing WAC 230-04-203 as part of this package. **Commissioner Forrest** asked for an explanation on what it means when it says all persons seeking to operate gambling activities at a "business location" and questioned where else gambling activities may be conducted. Ms. Winslow affirmed the language would be clarified.

<u>Commissioner Forrest made a motion to file the amended section as presented.</u> The motion was seconded by <u>Commissioner McLaughlin</u>. *Vote taken; motion carried with four aye votes.*

Chair Ludwig recessed the meeting at 11:00 a.m. and called the meeting back in session at 11:15 a.m.

7. OTHER BUSINESS/GENERAL DISCUSSION/COMMENTS FROM THE PUBLIC:

Ben Bishop presented an appreciation plaque to Assistant Attorney General, Jon McCoy, who represented the agency from 1989 to February of 2000. Mr. McCoy has been assigned to focus on military issues. Director Bishop noted that Mr. McCoy has been a real leader in the gambling area and he's recognized within the state as being the most knowledgeable in gambling and tribal law. He will be missed. **Mr. McCoy** took the opportunity to say that it has been a great deal of fun and a great honor to work for this Commission. He quoted an old Chinese verse "May you live in interesting times." Mr. McCoy said he had a tremendous respect for the people he's worked with during his tenure, and noted that he too will miss everyone.

Commissioner McLaughlin said that in the spirit of Valentine's Day, the Commission would like to present their Executive Director a Valentine to be effective on February 14th -- a 6 percent raise. **Commissioner McLaughlin** made a motion, seconded by **Commissioner Forrest**, to raise the Executive Director's salary by six percent, effective February 14, 2000.

Chairman Ludwig said he preferred giving the raise nearer to the first of the year rather than mid-year as has often been done. **Commissioner Forrest** asked if this would include the anticipated COLA

increase. **Commissioner McLaughlin** said she was not including or excluding anything. Chair Ludwig affirmed as discussed yesterday, in executive session, this raise was the only one that would come this calendar year. Rather than waiting until mid-year, it would be granted now. **Commissioner Forrest** said with that understanding, he thought that it was perfectly appropriate. *Vote taken; motion carried with four aye votes.* **Director Bishop** thanked the Commission.

Chairman Ludwig asked if there were any other matters the Commission needed to hear before adjournment.

Mr. Don Kaufmann, Big Brothers/Big Sisters in Spokane, noted he was unable to locate minutes from the last meeting. He also addressed the schedule of the Gambling Commission meetings. He was surprised there wasn't a meeting in Olympia during the legislative session. He recommended the Commission try and keep at least one meeting during the first quarter in Olympia. **Chair Ludwig** advised the agency was unable to schedule an available Olympia facility during the first quarter this year. He affirmed the desire to meet in Olympia when the legislature is in session and expected to be back in Olympia next February.

Mr. McCoy reported the order for Ruby's from last month is ready to be printed and will require signatures.

Delores Chiechi thanked the Commissioners and staff for joining the RGA sponsored tours last evening. She hoped attendees obtained a good feel for the differences between the various locations. She also thanked Ed Fleisher for his work in helping the association resolve the zoning issue with the legislature – and affirmed it is ongoing and challenging

8. ADJOURNMENT:

With no further business, a motion for adjournment prevailed at 11:30 a.m.

Minutes submitted to the Commission for approval.

Shirley A. Corbett Executive Assistant